



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 28, 2016

The Honorable Christy L. Romero
Special Inspector General
for the Troubled Asset Relief Program
1801 L Street NW, 4th Floor
Washington, D.C. 20036

RE: Treasury Response to SIGTARP's April 2016 Quarterly Report

Dear Ms. Romero:

I write in response to SIGTARP's April 2016 Quarterly Report spotlight section, titled "Non-Bank Private Mortgage Servicers Who Have Already Received More Than \$1 Billion from Treasury are Increasing their Participation In HAMP, Which Raises Risks to Homeowners and the Need for Significant Oversight." This section discusses the increasing number of homeowners receiving Home Affordable Mortgage Program (HAMP) modifications that are serviced by non-bank servicers. Treasury shares your view that HAMP servicers should receive appropriate compliance testing, and we write to clarify certain issues discussed in SIGTARP's report.

Treasury maintains a rigorous compliance review process, and holds all participating servicers – both bank and non-bank servicers – to the same high standards. Each quarter, Treasury's compliance agent tests between 400 and 600 loan files, and examines as many as 60 compliance criteria, at each of the largest bank and non-bank servicers. When compliance issues are identified, we require servicers to take remedial actions, including but not limited to, identifying and re-evaluating affected loans, performing retroactive analysis when an issue is potentially systemic, and enhancing the effectiveness of internal controls. In addition, the compliance results for the seven largest servicers (including three non-bank servicers), which account for 86 percent of HAMP modifications, are published in our quarterly Servicer Assessment reports. Treasury's extensive compliance approach has contributed to a substantial decline in servicers' error rates since we first published our servicer assessments in 2011. And, we continue to find ways to drive improvement in servicers' compliance with Making Home Affordable (MHA) guidelines by periodically enhancing our compliance assessments, tightening benchmarks and adding metrics for new and emerging areas.

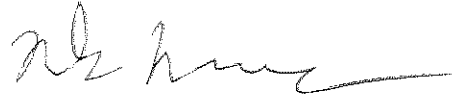
It is important to note that Treasury's compliance reviews are designed to evaluate compliance with MHA requirements established by Treasury under its contracts with participating servicers. Treasury does not have the authority to examine servicers for compliance with laws enforced by other agencies, including the Consumer Financial Protection Bureau or state regulators.

Finally, we wish to clarify that the increasing role of non-bank servicers participating in HAMP is primarily due to broader, longer-term housing market trends that eclipse the scope of HAMP. After the financial crisis, banks faced pressure to reduce exposure to risk, and sold at-risk and

non-performing loans to non-banks. These non-bank servicers have increased their relative market share as a result. Some non-bank servicers have found ways to expand HAMP eligibility and increase their modification numbers by negotiating terms with investors. And, as previously stated, these non-bank servicers are subject to the same rigorous compliance reviews as bank servicers, and held to the same performance standards.

We look forward to continuing to work with you as we wind down the HAMP program in the coming months. Please contact me if you would like to discuss this issue further.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mark McArdle', with a long horizontal flourish extending to the right.

Mark McArdle
Deputy Assistant Secretary for Financial
Stability